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## RECIPROCITY WITH CANADA<sup>1</sup>

I have been asked to say something about the effects on New England of the reciprocity arrangement with Canada. But I shall avail myself of the opportunity to consider also some of the larger aspects of the matter. It is the privilege and the duty of the economist to disregard sectional interests. A political representative usually finds it difficult to do otherwise than promote what is to the advantage, or is thought to be to the advantage, of his section and his constituents. The economist represents no constituency and holds no brief. His unqualified duty is to examine in what way the prosperity of the community as a whole may be advanced.

The reciprocity arrangement now pending relates almost exclusively to agricultural products and the simpler materials. So far as these articles are concerned, the trade between the two countries is in the main a border trade of convenience. It is essentially an occasional trade, of the kind that springs up between any two adjoining regions, like New Hampshire and Vermont, or Ohio and Indiana. It is not based on a large geographical division of labor, like the trade between New England and the Mississippi Valley, or that between Great Britain and the United States as a whole. It involves no far-reaching political and social questions, no problems as to the way in which the industrial development of two differing regions shall be shaped. It is like the trade between adjoining farms, not like the trade between city and farm. Its restriction, though a possible source of annoyance and inconvenience, will cause no serious changes. Its freedom will promote good feeling and mutual accommodation, but will not seriously affect the course of economic development in either country.

There are places where it is convenient for us to get some wheat and some meat from Canada and places where it is convenient for Canada to get them from us. There are seasons

<sup>1</sup> A paper read before the Western Economic Society, June 3, 1911.

when it is convenient for us to get potatoes and hay from our neighbors, and there are seasons when they find it convenient to get potatoes and hay from us. There are stretches along the border where it is to the advantage of the Canadians to buy corn from us, and stretches along the border where it is to our advantage to buy barley from them. I can conceive no possible good reason why we should not buy from each other in these simple and obviously convenient ways. The notion that the farmers of the United States or of New England are going to be ruined, or seriously affected, is nothing less than preposterous. Even on the very border itself I doubt whether any perceptible number of farmers will be disturbed in the slightest, or will have to readjust their ways. For the farmers of the country as a whole the effect will be but as a ripple on a millpond. Within three months of the adoption of the arrangement, the farmers will wonder why such a pother was made about it.

One of the most curious results of the undue stress laid on the tariff controversy in this country is the frequent belief that the imposition of a duty serves *per se* to benefit the domestic producers and that the removal of a duty serves *per se* to injure them. It would seem to be obvious that real advantage or disadvantage comes only through changes in imports and in prices. The imposition of a duty on a commodity that is not imported at all, or is only imported sporadically, and the removal of such a duty, have no industrial consequences at all. This is so plainly the case with our duties on the staple agricultural products that sensible persons have usually passed them by with a shrug, wondering that any one should care whether they were or were not on the statute book. There is in our tariff structure a great mass of such deadwood, whose importance is exaggerated both by friends and foes. Not only on agricultural products, but on manufactures as well, there are many duties which could be cut out without anyone's knowing the difference. Something would be gained toward clarifying the situation if these encumbrances could be got rid of; and the reciprocity measures, even if they have no further consequences, will at least let in some light on the range and extent of the influence of our tariff system.

Nevertheless, a few changes are proposed whose significance is more serious both for New England and for the other parts of the country. Chief among these is the free admission of timber and rough lumber, the reduced rates on boards planed and finished, and the conditional free admission of pulp wood and newspaper. It is probable that these breaches in the tariff wall will admit some additional imports and will have some effect on the prices of lumber. I suspect that the increase in imports will not be considerable, and that the effect on prices will be not so much to cause a fall as to prevent a rise that would otherwise have taken place. But some real influence will doubtless be seen in the direction of curbing of domestic prices and greater resort to foreign supply.

All considerations of sound sense and good sentiment seem to me to point to the desirability of these results. It is notorious that we are trenching deeply and recklessly on our forest supplies. It is notorious that the prices of soft lumber have gone up during the last decade much more than most prices; they have nearly doubled. It is not to be questioned that the preservation of our forest areas has importance not only for the supply and price of timber, but for the steadiness of rain-absorption and water-flowage and for the beauty of Nature. Those steps are good which enlarge the area of supply and diminish the ruthless cutting of our own trees. The only persons who have an opposite interest are the owners of forest lands, to whom it is of course welcome that the rates of stumpage should continue to soar indefinitely. I will not enter on the thorny question whether a protective tariff, irrespective of its strictly economic consequences, has good or ill effects on our general social conditions. This particular part of the existing system of duties seems to me clearly contrary to the larger welfare of the community.

Let us resist, however, the temptation to exaggerate the beneficial effects of a policy which we believe to be good. Reciprocity and free lumber from Canada will not serve *per se* to conserve our forests or make wood products much cheaper. The change is in the right direction; this much suffices to win ap-

proval. We are simply opening up a wider area of supply. The Canadians will have to consider for themselves how far the policy of more even distribution of demand and of wiser conservation of supply will need to be applied to their own situation. Fortunately for us and for them the physiographic conditions of the northern part of the continent make their problem both easier and less imminent. Their natural reserves are vast, and they are not subject to such great and rapid diminution because the possibilities of agricultural use of the soil are necessarily restricted. They can well afford to let us share in the bountiful supplies with which Nature has provided them.

Another phase of the lumber problem is that of wood pulp and of paper made from it. The conditions of supply here involve not only the question of timber, but those of power as well. The grinding of the wood into pulp calls for a great amount of power—an amount so great that water-power alone is practicable. Water-power is most largely available where the forested hills and mountains break off into the low lands. It is thus available in parts of New England, and especially of Maine, on the edges of the wooded regions. It is even more available in parts of Canada; more available there not only because the forests are larger and the stored water-supply great, but because there is less demand on the water-power for other industrial purposes. All the natural conditions indicate a tendency for the transference of the wood-pulp industry to the regions where wood is abundant and power is cheap. And at the place where the pulp-wood is ground, there the paper is likely to be made; since it is cheaper to transport the paper than the soggy and heavy pulp. Our tariff has checked the natural tendency, has increased the drain on our own forests, has added a competitive demand for our own water-power. We are wasting our own resources. We are working against the course of Nature by refusing to let this industry betake itself to the regions best adapted to it.

Here again we must be on our guard against exaggeration. The duties on pulp and paper have been moderate. As our tariffs go, they have been even low. The “straight” duty in the

Dingley tariff act of 1897 was 15 per cent; and the duty was somewhat reduced in 1909. The full effect of the reduction of 1909 is limited by the condition that the Canadians shall impose nothing equivalent to an export duty; and some of their provinces have regulations that are thus equivalent, or at least have been deemed so by our authorities. The consequences of the proposed free admission, under reciprocity, of pulp and paper will be similarly limited, for they also are conditional on the abolition of the Canadian provincial restrictions. For the present at least, only part of the pulp and paper is likely to come in free—that part derived from wood cut on private lands in Canada, not that from crown lands in the restricting provinces.

Further, even under completely free admission, by no means all of the pulp or paper would come from the Canadian sources of supply. Many of the domestic mills have advantages from good location, good supply of wood and power, good plant. Here, as in so many other cases, the alternative is not once for all between domestic supply and foreign supply; the question is whether there shall be more or less. The total destruction of a domestic industry, which is paraded as the inevitable consequence of the slightest change in duties, is commonly a bug-bear. In this particular instance, the result of lower duties will be not so much the substitution of Canadian paper for Maine paper, as a growth of Canadian production and a standstill of Maine production. In the main, the effect will be simply to ease the pressure on our own dwindling forests.

But, with all needed qualification, it remains true that more pulp and paper will come from Canada, and our own makers will be in a somewhat less advantageous position. As with lumber, the probable consequence will be not so much that prices fall, as that their rise will be checked. But a change in the direction of easier and cheaper supply there will be. Naturally the domestic paper-makers are averse to it. They want all they have, and as much more as they can get. They fight reciprocity tooth and nail. Their activity, open and concealed, probably accounts for most of the noisy opposition to the reciprocity plan.

By way of further illustration of the limited effect of the

changes proposed, I will cite the case of shingles. The duty on these in the Dingley tariff of 1897 had been 30 cents per thousand. In the act of 1909 it was raised to 50 cents. The increase was made not in the House, but in the Senate, and was retained by the conference committee between the two bodies in consequence of the vehement insistency of the Senate representatives. Mr. Payne, the House chairman, publicly protested against the advance, to which he acceded only because it seemed impossible to bring legislation to pass without it. The reciprocity arrangement now proposes that shingles shall come in from Canada at a duty of 30 cents—precisely the duty rate in force before 1909. Can it be maintained that such a change portends ruin to anyone?

On the whole, then, the economic consequences of the reciprocity arrangement will be slight. The prices of foodstuffs will not be perceptibly affected even on the border. The farmer who buys lumber will hardly find a difference, the mechanic who buys or hires a wooden house certainly will not discover any difference. The newspaper publishers may know that their paper is a bit cheaper than it might have been, but the man who buys the morning or evening edition will pay the same price and is not likely to get more for his money. Why then all this excitement? Why the frantic opposition to a policy so simple, so sensible, so cautiously guarded?

The answer is plain. The nature of the proposal, not its extent, arouses opposition. It indicates a tendency. It is a breach with the uncompromising phase of protection. It frankly admits that foreign trade is not always a game in which each country should try to get the better of the other, but is, sometimes at least, an exchange from which both may profit. True, in this particular case the fundamental questions of free trade and protection are not involved. One may be a staunch protectionist, yet earnestly support the reciprocity plan. But to the fanatical protectionist the slightest change in the sacred tariff structure is portentous. And it is the more portentous because it may prove an object-lesson. What will the farmer think if he finds that, after the enactment of a measure said to

be fraught with such dire consequences, ruin does not overtake him, the sun still shines, the crops still command their prices, the world goes on exactly as it did before? It may occur to him that the tariff is not the indispensable bulwark of all prosperity.

I confess that the extreme protectionists seem to me to have conducted their campaign badly. The very excess and exaggeration of their statements will react to their disadvantage. Their wiser plan would be to accept Canadian reciprocity as a minor matter. Sound strategy would seem to counsel them to give up this unimportant outwork and to concentrate on their main defenses. But I am not concerned to offer them advice, and doubtless am the last person from whom they would take it. Perhaps they have reason to fear that their general position is precarious, that the morale of their rank and file is shaken, that they cannot take even a single backward step without danger of complete demoralization. Certain it is that this measure, insignificant though it be in its immediate economic consequences, indicates a departure from protectionism in its most intolerant and unrelenting forms.

Another aspect of the situation, finally, may have a moment's attention. For many years our neighbors in Canada were desirous of securing more liberal trade conditions from us. The reciprocity treaty of 1854 had been much to their advantage, and its abrogation in 1866 proved a distinct blow. For a quarter of a century thereafter they came to us repeatedly with proposals and offers of reciprocity. These offers we treated with such scant courtesy, nay with such abrupt and domineering rejection, that the Canadians are not to be blamed if they became nettled and sensitive. We simply compelled them to look to themselves. And in the course of years they have become strong and self-sufficing. Their own West has supplied the conditions for abounding prosperity; their new lines of transportation have opened large markets for their products; their manufacturers have developed under the stimulus of a protectionist policy which may be fairly said to have been forced on them by our uncompromising rejection of their former over-



tures. Under these circumstances, the restoration of friendly commercial relations could not be an easy matter. The initial move had to come from us, no longer from them. Our chief executive has handled this delicate situation in a manner alike self-respecting for us and conciliatory to the Canadians. His policy has been like himself—frank, courageous, courteous. Ignoring past differences and recriminations, he offered them a full measure of reciprocal concessions, and left it to them to say how far they now cared to go. The resulting measures before the legislatures of the two countries are no doubt more limited in scope than our administration was ready for, and their direct economic consequences, as I have said, are not likely to be considerable. But the political consequences are of large importance. The arrangement opens an era of renewed closer friendship with our neighbors to the North. In these days of rivalry and jealousy between nations, we ought to rejoice that the two peoples will join in abolishing petty restrictions on the intercourse between them, and cease from an attitude of mutual suspicion and hostility. President Taft's reciprocity policy is a high proof of a calm, a generous, a statesmanlike temper; and no one who reads the signs of the times can doubt that he has for it the support of the immense majority of his people.

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